

Message Text

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ACTION AF-18

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E.O. 11652: N/A

TAGS: EAID, SU

SUBJ: POSSIBLE IBRD REAPPRAISAL RAHAD SCHEME, LOAN 650-H-017

NAIROBI FOR REDSO

1. SUMMARY. TALKS WITH IBRD REPS HAVE CONFIRMED RAHAD PROJECT COMPLETION DATE MUST BE POSTPONED ONE YEAR TO JUNE, 1977, AND THAT AN ADDITIONAL \$35 MILLION IN FOREIGN EXCHANGE COSTS MUST BE FOUND. BANK CONTEMPLATES EARLY APPRAISAL MISSION AS MEANS MOBILIZE THESE RESOURCES AND AVERTING ADDITIONAL DELAYS. MEANWHILE USG PROCUREMENT SHOULD CONTINUE. END SUMMARY.

2. IN WAKE RECENT CONSULTATIONS HERE ON PROGRESS RAHAD SCHEME BETWEEN GOS, KUWAITIS AND IBRD REPS, AMBASSADOR AND AAO HAD USEFUL DISCUSSIONS MARCH 20-21 WITH IBRD REP ERIC SICILY AND BANK'S KHARTOUM REP GAUTAM KAJI. FOLLOWING POINTS EMERGED FROM DISCUSSION.

3. AS RESULT COST OVERRUNS AND CONSTRUCTION DELAYS, FOREIGN EXCHANGE ELEMENT RAHAD SCHEME LIKELY RISE BY SOME \$35 MILLION (I.E., FROM \$64 MILLION TO \$95-100 MILLION). GOS HAS INDICATED
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IT WILL SHORTLY BE WRITING THREE DONORS TO REQUEST ADDITIONAL

FUNDS. IBRD EXPECTS REPLY BY PROPOSING THREE-MAN APLCUISAL MISSION COME OUT, HOPEFULLY IN MAY, TO ASCERTAIN HOW BEST SCHEME CAN BE CARRIED THROUGH TO EXPEDITIOUS COMPLETION. WORKING LEVEL GOS AGREES WITH BANK THAT TARGET DATE FOR COMPLETION OF JUNE 1976 HOPELESSLY OPTIMISTIC BUT THAT COMPLETION BY JUNE 1977 STILL REALISTIC POSSIBILITY. SICILY FEELS ACHIEVING THIS WOULD BE MORE LIKELY IF MAJOR EXCAVATING WORK PUT OUT TO INTERNATIONAL TENDER BUT GOS OFFICIALS AT MARCH 21 MEETING REACTED NEGATIVELY TO THIS PROPOSAL, NO DOUBT BECAUSE IT WOULD REFLECT UNFAVORABLY ON THEIR OWN PREDICTIONU A S CAPACITIES. HOWEVER, SICILY (WHO LIKELY HEAD APPRAISAL MISSION) INDICATED IT MIGHT CONCLUDE BY MAKING SOME SUCH RECOMMENDATION.

4. IMPLICATIONS FOREGOING FOR PROCUREMENT EQUIPMENT UNDER USG LOAN DISCUSSED AT SOME LENGTH. ALL AGREED, VIEW EXISTING UNCERTAINTIES, THAT BEST COURSE WILL BE TO CONTINUE EFFORT GO OUT FOR EARLY COMPETITIVE BIDS ON MANUFACTURE KEY ITEMS, AS CURRENTLY PLANNED. WHILE THERE NO CHANCE SUCH EQUIPMENT ARRIVING IN TIME FR MUCH OF NEXT CONSTRUCTION SEASON (NOVEMBER 1-MAY 1 ANNUALLY) IT SHOULD CERTAINLY BE AT SITE AND READY OPERATE BY INCEPTION 75-76 CONSTRUCTION SEASON, AND WOULD THUS BE USED TOW CONSTRUCTION YEARS ON PROJECT. MEANWHILE, SUDANESE DEPT IRRIGATION NOW BELATEDLY MOBILIZING ADDITIONAL EQUIPMENT TO ACCELERATE ITS OWN EXCAVATION WORK WHICH BADLY BEHIND SCHEDULE DUE INADEQUACIES CZECH BARTER SCRAPERS. WHILE CONSTRUCTION BEHIND, AND ANCILLARY PROTIONS PROJECT SUCH AS ELECTRIFICATION AND ROADS (WHICH IBRD NOW RECOMMENDING VICE RAILROAD) ALSO LIKELY FAIL MEET ORIGINAL TIMETABLES, SICILY AGREED SCHEME HAD NOT BEEN DELAYED BY DIFFICULTIES IN PROCURING AMERICAN EQUIPMENT.

5. RECALLING BANK EXPERIENCE ELSEWHERE, KAJI NOTED APPRAISAL MISSION TECHNIQUE GENERALLY INTERPRETED BY HOST GOVERNMENT AS IMPLYING A COMMITMENT PROVIDE ADDITIONAL FUNDS. HE INDICATED IBRD SHOULD DO SOME INTERNAL CANVASSING AND QUIETLY EXPLORE WITH KUWAITIS POSSIBILITY COMING UP WITH NEEDED ADDITIONAL FUNDS PRIOR APPRAISAL MISSION. ASSUMING IBRD WAS ASKED FIND ADDITIONAL \$15-17 MISSION AFTER JULY 1, KAJI WONDERED WHETHER THIS COULD BE DONE IN LIGHT EXISTING PROBLEMS OF IDA REPLENISHMENT. AMBASSADOR AND AAO INDICATED HIGHLY UNLIKELY USG WOULD BE ABLE SUPPLEMENT EXISTING \$11 MILLION RAHAD LOAN.

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6. AMBASSADOR EXPRESSED APPRECIATION TO KAJI AND SICILY FOR THEIR DETAILED PRESENTATIONS AND URGED THAT FUTURE MEETINGS THIS SUBJECT WITH GOS INCLUDE USG REPRESENTATIVE (ON BASIS FIRST CONVERSATION WITH BANK REPS, AAO WAS INCLUDED IN EXTENDED DISCUSSION WITH GOS TECHNICIANS MARCH 21). SICILY ADMITTED BANK HAD INITIALLY VIEWED USG MORE IN ROLE OF SIMPLE

EQUIPMENT SUPPLIER THAN FULL-FLEDGED PARTNER IN PROJECT BUT THAT THIS HAD BEEN ERROR. AMBASSADOR EMPHASIZED UTILITY TO US OF BEING INVOLVED AT EVERY STAGE IN KEY DISCUSSIONS ON RAHAD PROGRESS AND PUTATIVE REAPPRAISAL. SICILY AND KAJI AGREED AND SAID THEY WOULD SEE THIS DONE IN FUTURE IN ORDER, AMONG OTHER THINGS, OBVIATE POSSIBILITY GOS PLAYING OFF ONE DONOR AGAINST ANOTHER.

7. COMMENT: BELIEVE RECENT IBRD VISIT HAS BEEN MOST HELPFUL NOT ONLY IN FOCUSING SUDANESE TECHNICIANS' ATTENTION ON THEIR OWN PALLID CONSTRUCTION RECORD SO FAR BUT IN INCREASING SUDANESE/BANK/USG IN-COUNTRY LIAISON. PROVIDED ADDITIONAL FOREIGN EXCHANGE FOUND (BOTH WE AND IBRD AGREED KUWAITIS MOST LIKELY SOURCE SUCH FUNDING), PROJECT SEEMS LIKELY BE COMPLETED AS ORIGINALLY ENVISIONED BUT ONE YEAR LATE. FACT THAT THIS REVISED TARGET DATE HAS BEEN ACCEPTED, AT LEAST BY WORKING-LEVEL SUDANESE, IS ENCOURAGING INDICATION GREATER REALISM WITH WHICH GOS NEEDS TO VIEW ALL ASPECTS THIS MAJOR SCHEME IN ORDER AVERT FURTHER, MORE DIFFICULT, DELAYS. DETAILED MEMCONS OF CONVERSATIONS ON WHICH FOREGOING BASED WILL BE POUCHED MARCH 27.
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